



October 8, 2018

**Re: Penske Comments on Implementation of VW Funding**

Dear Mr. Dayton:

Penske Truck Leasing (Penske) would like to thank the Texas Commission on Environmental Quality (TCEQ) for the opportunity to provide comments regarding the implementation of its Volkswagen (VW) Settlement Beneficiary Mitigation Plan. TCEQ has consistently provided an opportunity for stakeholder engagement and feedback to shape and refine programs to ensure they are meeting their intended purposes—a process we strongly respect and admire.

Penske is committed to reducing vehicular emissions and accelerating the deployment of advanced transportation technologies and is a natural partner to the state in achieving its goals to reduce emissions from mobile sources. Our average customer size is between eight and twelve trucks, and we are able to provide comprehensive vehicle services to companies that do not have the financial capital and necessary experience to purchase and maintain alternative fuel vehicles (AFVs). Leasing with Penske provides the following benefits to fleets:

- No upfront purchase costs and concerns about vehicle residual value or resale
- No costs to modify maintenance facilities
- No maintenance training costs or investments in special tools
- No fueling anxiety as Penske assists with vehicle routing and fueling contracts
- 24/7 Roadside assistance and a nationwide service network
- Cost savings for customers

As TCEQ begins developing and implementing programs for on- and off-road projects, we would like to provide the following recommendations and insight for your consideration:

- 1. Leasing Eligibility and Applicable Scenarios** – Penske requests that TCEQ treat vehicle leasing like any other financing mechanism and allow fleets to have equal access to program funding regardless of the financing mechanism. Leasing is not prohibited by the Consent Decree, and we are requesting that states provide the utmost flexibility in allowing fleets of all sizes to participate in their programs by excluding leasing restrictions. The following scenarios outline how the leasing model would work under the term of the VW Settlement:
  - a. Fleet A scraps an older vehicle, and Fleet A is the program applicant. The new vehicle would be titled under Penske and operated by Fleet A (traditional leasing model).
  - b. Penske scraps an older vehicle, and Penske is the program applicant. The new vehicle would be titled under Penske and operated by Fleet A.
  - c. Penske acquires Fleet A's vehicles and scraps it, and Penske is the program applicant. The new vehicle would be titled under Penske and operated by Fleet A.
- 2. Purchase Order Timing and Vehicle Certifications** – The timelines associated with the deployment of emerging new technologies, such as zero-emission trucks and buses, are not fixed. These vehicles are also not currently EPA or CARB certified like their diesel or gas counterparts. Penske recommends that agencies provide at least a two-year window for vehicle deployments, starting from the date of contract execution, to allow for flexibility in the order and delivery process. Further, the agency should



outline what is required from the applicant to prove vehicle eligibility i.e., it will follow the HVIP eligible vehicle list or certification will not be required for newer technologies.

3. **Confidentiality** – Penske, similar to other large fleets, may receive preferential pricing from dealerships and OEMs. This information is a trade secret; neither Penske nor the dealer divulges this information to the public. Penske has received grant funding from agencies in Pennsylvania, Texas, Colorado, and California by providing documentation other than traditional quotes and invoices, and Penske requests that TCEQ consider alternative methods of providing evidence of proof of purchase, or that TCEQ guarantee confidentiality of any items shared by Penske.
4. **Operational Requirements** – Penske is interested in the operational requirements for new on-road vehicle projects. There are several pieces of off-road equipment that can be certified as on-road vehicles, and these units should be eligible for funding allocated to the categories for on-road trucks and buses.

In summary, we urge you to develop the state's VW programs in a way that focuses on the specific objective you are trying to achieve – emission reductions. Including leasing as an eligible project type for VW funded programs can provide the operational and maintenance assistance that typically serves as a barrier to AFV adoption for entities not accustomed to the requirements of such vehicles. Leasing will help TCEQ provide access to a much wider audience of fleets that may not have considered employing such vehicles had leasing not been an option.

When fleets choose Penske for their clean vehicle needs, it is analogous to hiring an experienced in-house alternative fuels team. The fleets we work with in your state are eager to replace their older vehicles with cleaner and more fuel efficient, less polluting options, and we are eager to work with you and your team to advance the adoption of cleaner vehicle technologies. To that end, we would like to set up a call with your team to discuss that items described above. Please contact me to do so at .

Sincerely,

A handwritten signature in black ink, appearing to read "D Stapleton", with a long horizontal stroke extending to the right.

Dean Stapleton, Senior Manager of Alternative Fuels  
Penske Truck Leasing